

## INTEGRATION ON THE BALKANS: A FICTION OR A REALITY?

(Some major aspects of regional economic cooperation in South Eastern Europe)

More than 50 years ago it was Jean Monnet who proposed that cooperation between nations, no matter how important is it, makes no sense. He launched a new concept about integration saying that the European nations need not mere cooperation based on balanced national interests, but a deeper functional integration based on merging of national interests. The experience of European integration since 1950 approves this concept of creating a stable institutional framework of cooperation in concrete areas in which all countries have common interests and are ready to work together to realize concrete benefits. Now it is Balkan countries' turn to use this experience to achieve security, stability and growth and to reach their declared common goal of becoming part of wider Euro-Atlantic structures.

The long lasting crisis on the Balkans and the problems it creates not only to the countries of the region but also to the whole of Europe and to the world too, show undoubtedly that common efforts are needed and a common plan is necessary. The economic situation on the Balkans and the real danger of non-managing the necessary political and economic reforms by some countries become a real threat for peace and stability in Europe. This was the reason for launching a great amount of international and especially European initiatives promoting regional economic cooperation. The Stability Pact, signed at the middle of 1999 is a broad strategy for building regional stability on the bases of regional cooperation and integration of Balkan countries in the European structures. Regional trade development and investment attraction is one of the priorities of this strategy.

CED conducted an analysis on different aspects of regional cooperation, trying to assess the role of each of them for political stability and economic development on the Balkans. The analysis was focused on development potential and limiting factors for regional co-operation; possible areas of integration such as trade, transport and energy infrastructure. The aim was to identify the most perspective areas of mutual interest and greatest effect on regional development.

The existing international bodies and initiatives aim mainly at trade development. Barriers to intra-regional trade and investment slow down the regional integration and the integration of the Balkans with the EU and the WTO. Trade liberalization and facilitation, elimination of trade barriers and boarder-crossing obstacles are important directions of inter regional relations. But can radical and comprehensive regional liberalization result in an immediate increase in intra-regional trade when all national export structures consist mainly of raw materials, agricultural products and labor-intensive industrial goods? Can this be the basis for regional development and for sustainable growth for all Balkan countries having in mind limited dimensions of intra-regional trade? Has regional trade the potential to drive wider economic change in Southeastern Europe?

The Trade Policy Forum held at the beginning of 2001 proved that trade liberalization and facilitation will have direct impact on regional prosperity and stability promoting the development of regional trade and improving conditions for attraction of foreign direct investments. The idea for the creation of a regional free trade area was launched

and a decision for signing a Memorandum of understanding was taken. Later on the concept of a regional free trade area was developed into a task for creation of a network of bilateral free trade agreements signed between Balkan countries in full conformity with the disciplines and principles of WTO. Lowering of tariffs, restrictions and other non-tariff barriers, setting most of the problems in the area of origin rules, better customs procedures and documents, uniform valuation criteria for assessing duties as necessary conditions for the creation of free trade zone remain mutual aim. Still, it is obvious that as far as regional trade is not so well developed because of the similar production and trade structures (every country's turnover with EU is much greater than with the neighbors) the creation of a regional free trade zone will not bring the expected results.

However, the creation of regional free trade zone should be in line with a broad opening of national markets towards the rest of the world and especially the EU. This kind of a closed regional cooperation is considered a "second hand" integration and it has no potential for promoting economic growth and access to European structures. Balkan countries consider more important the creation of bilateral free trade zones with the EU and the development of the needed institutional reforms for this kind of cooperation. So, the realization of a regional free trade zone can come as a result of the engagements on the bilateral free trade agreements with the EU.

The second area of analysis is transport. Development of transport infrastructure is of mutual interest and it is not only of national and regional importance, it is of European interest, too. Current situation in transport infrastructure does not create strong ties within the region. Many of the links and routes on the Balkans do not exist because of lack of political will and security, not because there is no profit to be made. A new strategy for transport infrastructure development is needed to design Balkan transport infrastructure as an integrated part of the pan-European transport infrastructure.

The third and most important area of regional integration is energy infrastructure and especially electric energy distribution. Southeast Europe needs stabilization, security and sustainable economic growth that mean strong necessity of well build and developed energy infrastructure. Besides, the immediate priority of all Balkan countries is to create employment opportunities that preserve and develop the human capital of the region. Such sector can be electric energy infrastructure development. Furthermore, the development of truly common electric energy market will make the region more attractive for foreign investments and will create necessary conditions for regional co-operation. But this could not be achieved without an active EU interference to design the regional infrastructure development as part of the European.

The regional Balkan cooperation development has no alternative. The question is which is the most viable form for such cooperation or even for deeper integration, which is the most effective and speedy way for harmonization of national legislative reforms, management of national resources and building of necessary infrastructure on international principles. The real regional integration should include many more areas than a free trade zone (preferably the most important for all countries) and it has to provide for the necessary institutional frame for the realization of this cooperation, as well as a mechanism for taking decisions. So, the creation of a regional energetic community, similar to the European Coal and Steel Community with the participation of the European Commission on the basis of a pan-European strategy for energy

development may prove to be the most reasonable approach in developing regional cooperation. This type of integration is crucial for all Balkan countries. It is designed to solve not just common problems for all countries but exact regional problems. Having in mind the European post-war experience this can be the beginning of the long process of integration of the whole of Europe as well as the way of solving all regional conflicts.

(The analysis named “Integration on the Balkans: a fiction or a reality” is at your disposal in CED’s library)